



DIVERSITY, EQUITY, AND INCLUSION STILL MATTER IN A PANDEMIC

By Jennifer Garcia-Alonso, Matt Krentz, Debbie Lovich, and Stephanie Mingardon

ECONOMIC PRESSURES MAY MAKE it harder for businesses to maintain their focus on and investment in diversity, equity, and inclusion (DE&I), but the #MeToo and Black Lives Matter movements have put these topics squarely on the CEO agenda. In fact, history shows that companies with inclusive workplaces—defined as those where key employee groups and women and people of color reported positive experiences at work—were far less affected by the global financial crisis. From 2007 to 2009, the S&P 500 index declined by more than 35%, but the stocks of inclusive companies actually increased by 14%.

The good news is that companies do not need to start from scratch. The measures that generate DE&I progress most effectively are known. The main goal for companies is to continue devoting time, capital, and management attention, and to ensure that they run DE&I not as a separate initiative but as an initiative integrated into everything that a company does and every decision that its leaders make. Moreover, some

changes that the pandemic made necessary—in particular, remote work—create an opportunity to reimagine how work gets done, resetting norms and building DE&I into the new reality of work.

A growing body of research, by BCG and others, shows that organizations with more diverse workforces and leadership teams perform better. Moreover, the Black Lives Matter movement and other recent shifts in the US underscore the degree to which employees, customers, suppliers, and other stakeholders demand more equitable workplaces and hold companies accountable for creating them. In other words, DE&I isn't a distraction from more urgent challenges—it's a critical part of the solution to those challenges.

Economic Crises Typically Threaten DE&I

After years of investment, companies have made significant—though fragile—progress in DE&I. Ethnic diversity among company leadership teams in the S&P 500

has risen from about 9% in the early 2000s to more than 11% recently. The proportion of women business leaders in the US has grown faster than that. Nevertheless, most organizations still have work to do to get closer to true parity in both gender and ethnicity. The progress to date is notable but also fragile, as economic pressure pushes some companies to defer workforce initiatives.

During economic crises of the past, and in their aftermath, DE&I progress slowed at many companies. For example, in the US industries most impacted by the recession of 2008, the share of ethnic minorities in management fell by 11%, and the share of women in management fell by 4%. Some industries, such as retail, still haven't returned to their 2007 levels of representation. (See the exhibit.)

Other parts of the world saw similar effects. In the UK, the representation of women in management among impacted industries fell by up to 2 percentage points during the 2008 recession. Among Germany's top finance and insurance companies, women's representation on executive boards dropped at the onset of the recession and essentially stagnated until finally beginning to grow again in 2010.

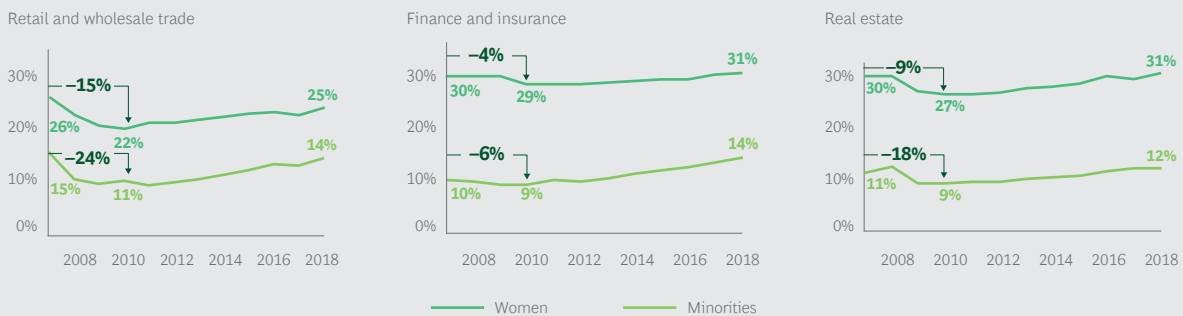
The COVID-19 pandemic poses an even larger challenge than the global financial crisis did. Physical distancing, lockdowns in many countries, and a lack of clarity about when and how the crisis will end contrib-

ute to increased anxiety and uncertainty for management teams and employees alike. Furthermore, the pandemic's burdens have fallen unevenly. In many countries, people of color and immigrant groups have faced higher infection and mortality rates. And women have borne a greater burden of home and caregiving responsibilities during the crisis, pulling them away from work and negatively affecting their career growth. Research has also shown that companies have laid off women and people of color in disproportionate numbers in COVID-19-related staff reductions. One analysis found 1.6 million fewer mothers in the labor force in late 2020 than would be expected in the absence of widespread school closures.

In addition, working from home creates differentiated challenges for different groups of employees. Parents of young children face obvious struggles, but some employees may not have the required space, internet access, or platforms. Others may need to work at a family member's home due to caregiving responsibilities. LGBTQ employees who aren't out at work may need to hide some of their home identity during video meetings.

For these reasons, it's urgent that companies not deemphasize DE&I. Clearly, leadership teams are under immense pressure and must deal with critical short-term priorities—including, in some cases, their company's solvency—that take precedence over longer-term strategic considerations.

In Industries Heavily Impacted by the Financial Crisis, the Share of Women and Minorities in Senior Roles Took a Decade to Recover



Sources: Equal Employment Opportunity Commission; BCG analysis.

Yet DE&I and the benefits that those factors bring to decision making are more important than ever in times of crisis.

Measures That Work

The experience of companies in previous downturns, as well as BCG's research into DE&I, reveals several measures that consistently generate positive results.

The first is to sustain leadership commitment and engagement. Senior executives must build a clear case for change, set strategic goals linked to the company's biggest DE&I challenges, and model DE&I values and practices on a daily basis. During the COVID-19 crisis, the challenge is for executives to keep DE&I on the leadership agenda and to avoid cutting these programs. If cuts are unavoidable, they should be proportional to those in other areas of the organization.

Second, companies should gauge the impact of workforce reductions on DE&I. A study in the UK found that women are more likely than men to voluntarily leave their job during a recession, and the child-care crisis of the COVID-19 pandemic has exacerbated this phenomenon. A study published in *Harvard Business Review* found that "neutral" layoffs disproportionately affect women and minorities. Companies that need to reduce the size of their workforce—whether through voluntary or involuntary measures—need to ensure that those reductions don't unfairly impact women and people of color. In addition, both before and after workforce reductions, companies should proactively reach out to employees from underrepresented groups to ensure that they feel valued and supported.

Third, companies need to renew their vigilance against bias along the entire employee life cycle, from recruiting to advancement, upskilling, and performance evaluations. The economic downturn has slowed much of the activity along the talent pipeline, so every decision—whether it be a new hire, a key assignment or promotion, or a training opportunity—is critical

and must be made as fairly as possible. Specific tools to reduce bias include diverse hiring panels, blind candidate screening, and objectively quantified performance evaluations. Members of all groups should be given the same opportunities to be part of the company's future.

Finally, organizations need to identify key metrics and measure results. It's always critical to gauge and reward progress in order to hold leadership teams accountable and create real change. But in times of crisis, these check-ins should happen more frequently, given that rapid decisions could have unintended consequences. Specific metrics to track include the following:

- Voluntary and involuntary attrition by different demographic groups (especially men versus women)
- The proportion of women, people of color, LGBTQ employees, and other underrepresented groups identified, considered, and hired for open positions, or promoted to more senior roles
- Employee engagement levels, broken out by demographic group
- Disparities in pay gaps and bonuses across demographic groups, tracked to ensure that tough decisions about who to reward in a period of scarcity do not reinforce inequity

An Opportunity to Reimagine Work

In addition to its many challenges, COVID-19 offers businesses an opportunity to reset norms for how employees work and thus could actually generate faster DE&I progress. Adapting to remote work has been the biggest adjustment for many organizations, and it is very likely to remain in some fashion even after the pandemic is over. Rather than resisting this trend, leadership teams can capitalize on it by being thoughtful about how to implement it and how to use it to promote DE&I. That calls for a focus on three critical objectives.

Structure the workplace for success.

Remote work has zeroed out expectations regarding when and where employees should get their work done. In that way, COVID-19 has done more to promote flexible work—consistently rated as an effective means of boosting diversity at organizations, particularly in terms of gender—than most organizations could have accomplished on their own. At many organizations, the initial shift to remote work occurred in an ad hoc manner. The goal now is to build on that progress and establish standards that make flexible schedules and remote work a routine option for employees, allowing them to take more control over their work-life balance.

Once employees can safely return to the office, companies can create a hybrid of on-site and remote work. That mix may have to change over time, as conditions and individual circumstances evolve. (For example, parents with school-age children may need

to continue to work remotely, depending on school closures and openings.) Regardless of the particular hybrid configuration, companies must ensure equal access to guarantee that all employees have a place where they can work comfortably. This could mean opening up office space or subsidizing co-working spaces for those who need it.

In addition, leaders should embrace remote-work and flexible-work programs in order to normalize them, setting clear norms for how to collaborate, how to communicate, and how to establish a reasonable work-life balance. For example, it is important for employees in these programs to be able to set clear nonworking hours when they are offline and unavailable to respond to emails or direct messages. (See “Making Remote and Hybrid Work the Norm.”)

Adjust performance metrics and other KPIs. When employees work remotely at

MAKING REMOTE AND HYBRID WORK THE NORM

COVID-19 created a level playing field for remote work. As a result, remote workers no longer feel like the disembodied voice in the room or miss important after-meeting conversations. The pandemic also created a level playing field for hybrid work in areas such as flexible working hours and part-time work. Now that these arrangements have become far more common, companies need to take specific steps to ensure that they remain viable options. Doing so involves embracing several core practices:

- **Communicate.** Increase the frequency of communication to ensure that all team members understand and are aligned on clear objectives. Proactively discuss team members’ circumstances and needs, as well as the types of support they may require.
- **Be flexible.** Structure predictable meetings and working hours to best

balance the needs of all team members. Accommodate the unique needs of different groups, especially women and people of color.

- **Enable team members.** Provide the tools and training necessary for all team members to succeed, including in areas such as tech capabilities to support remote work.
- **Mentor.** Coach effectively across gender, culture, and identity. Members of the majority group should serve as coaches and role models for people in underrepresented groups.
- **Socialize.** Create opportunities for spontaneous and informal interactions. Celebrate milestones and accomplishments. Monitor attendance and participation to ensure inclusion.

scale, they perform more tasks outside a supervisor's physical oversight. Accordingly, companies must change the way they evaluate employee performance. In a newly designed approach to work, performance assessments must become more objective, gauging an employee's output against preestablished expectations. Adopting this approach could reduce the biases that managers may have for a particular gender or demographic category. On the other hand, it could lead to unforeseen complications. HR and company leaders should actively monitor performance metrics to ensure that any changes have a positive—or, at worst, neutral—impact on DE&I.

More broadly, as companies experiment with new ways of working, they need to collect data and assess the effectiveness of those changes, in order to track their impact on different groups. Rather than making presumptions about the suitability or effectiveness of these initiatives, companies should collect objective data, through employee surveys, HR analyses, and other sources.

Build community in new ways. Remote work creates some clear challenges to the workplace as a community. For example, it limits occasions for employees to socialize. At the same time, it creates an opportunity to build community in new ways. For example, eliminating the need for physical proximity means that a company can hire from a broader pool of talent—not just people who live near its offices but almost anyone with an internet connection—enabling companies to bring together a wider range of perspectives. One option is to capitalize on co-working spaces to bring together teams of employees in small hubs that are situated outside a company's offices but still foster connectivity and community.

Companies can also use new methods of engagement to connect employees, including virtual coffee chats, team huddles, and similar events. BCG research found that employees who were satisfied with social connectivity at their job were three times more likely to say they were productive. Such practices can be particularly beneficial in enabling women and people of color to develop professional networks on a more equitable basis and with greater reach—rather than relying on spontaneous get-togethers, which sometimes exclude employees from underrepresented groups. To that end, companies should disproportionately invest to develop, retain, and promote people in underrepresented groups.

And, critically, companies need to make sure that they don't leave anyone behind. Silos and exclusive groups—for example, employees working remotely versus those onsite—can reinforce unconscious biases and hinder DE&I progress. Notably, silos and similar barriers to DE&I can change over time, so companies need to remain vigilant.

THE PANDEMIC HAS created clear challenges for organizations, but leadership teams should avoid deprioritizing DE&I initiatives. In fact, the shift to working from home can create opportunities to make faster progress. By focusing on DE&I measures with an established record of success, companies can withstand the current economic downturn and emerge from it stronger than ever.

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